Now, copies of the statement should be distributed.

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CALLING ATTENTION TO A MATTER OF URGENT PUBLIC IMPORTANCE

Situation arising out of large scale disinvestment in Public Sector Undertakings

श्री जगदीश प्रसाद माथुर (उत्तर प्रदेश): उपसभापति महोदया, मैं सरकारी क्षेत्र के उपक्रमों में बड़े पैमाने पर विनिवेश से उत्पन्न स्थिति की ओर वित्त मंत्री का ध्यान दिलाता हूं।

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Madam, during the year 1991-92, the Government disinvested a portion of its equity holding in 30 PSUs in favour of public sector mutual funds, banks and financial institutions through competitive bidding and realised a sum of Rs. 3038 crores. In recent weeks, there has been extensive media coverage and criticism of the disinvestment. Much of this is based on the Report of the Comptroller and Auditor General. I would like to respond to the main criticisms that have been made by stating that I believe that Government's bonafides in this matter are above reproach, and that the disinvestment has been conducted properly with full Cabinet authority and with no impropriety.

2. The most important criticism relates to the alleged loss to Government on account of various factors such as the change in the reserve prices fixed, the decision to restrict bidding to public sector mutual funds, banks and financial institutions and even the decision to bundle shares. It has also been alleged that the programme of disinvestment was implemented in haste, on account of commitments to the IMF. I would like to state categorically that those criticisms are entirely unfounded.

3. There have also been allegations that certain financial institutions committed irregularities in collusion with brokers which led to improper gains accruing to brokers. These are being looked into.

4. I am separately laying a more detailed Statement on the Table of the House which summarises the background of Government decision making and approval on this subject and responds to the several criticisms about the disinvestment programme which have been made in recent weeks.

DETAILED STATEMENT ON PUBLIC SECTOR DISINVESTMENT

There has been extensive press reporting and criticisms of the PSU Disinvestment exercise based mainly on the recent CAG report on the subject. Part I of this note summarises the background to the sale and the various steps in the process of Government decision making. Part II deals with specific criticisms.

I. GOVERNMENT DECISION ON SALE OF PSU SHARES:

2. The proposal for disinvesting a part of Government shareholding in selected public sector undertakings (PSUs) has been under consideration since 1990. The Department of Economic Affairs first submitted a note dated 22 February 1991 to the Cabinet Committee on Political Affairs (CCPA) of the previous government in which the following proposals were noted.

(i) Establishment of a Mutual Fund for investing in the shares of selected PSUs.

(ii) Partial disinvestment of the shares held by the Government in selected PSUs in favour of public financial and investment institutions.

(iii) Possible disinvestment of a portion of Government shareholding in ONGC.

3. The above proposals were approved by the CCPA at its meeting held on 27 February 1991. The then Finance Minister Shri Yashwant Sinha, presenting the Budget for 1991-92 (Interim) stated:

> "It has been decided that Government would disinvest upto 20 per cent of its equity in selected public sector undertakings, in favour of mutual funds and financial or investment institutions in the public sector. This disinvestment, which would broad-base the equity, improve management and enhance the availability of resources for these interprices, is also expected to yield Rs. 2500 crores to the exchequer in 1991-92".

4. The Statement of Industrial policy dated 24 July 1991 contained the following decision:

> "In order to raise resources and encourage wider public participation, a part of the Government's shareholding in the public sector would be offered to

mutual funds, financial institutions, general public and workers".

5. Towards implementation of this policy, Finance Minister, while presenting the Budget for 1991-92, made the following announcement:

> "In order to raise resources, encourage wider public participation and promote greater accountability, upto 20 per cent of government equity in selected public sector undertakings would be offered to mutual funds and investment institutions in the public sector, as also to workers in these firms".

6. Pursuant to these decisions, a series of meetings were taken with the Department of Public Enterprises (DPE), Planning Commission and the concerned administrative Ministries to consider the various possible modalities for the implementation of the disinvestment proposal. As a first step in this direction, a committee was set up in August 1991, under the Chairmanship of Shri Suresh Kumar, the then Secretary, Department of Public Enterprises (DPE) for formulating the guidelines for the valuation of shares of PSUs. This Committee submitted its report on September 5, 1991 wherein it had discussed, inter alia, the following three methods of valuation of PSE shares :—

(i) The Net Asset Value (NAV) method;

(ii) The Profit Earning Capacity Value (PECV) method;

(iii) The discounted Cash Flow (DCF) method.

The Committee felt that in order to arrive at the best price for the shares of PSUs, the fair value may have to be equivalent to the highest value among the different values arrived at using the above three methods. However, the Committee also noted that this fair value may have to be adjusted depending on the mode of sale.

7. The Department of Economic Affairs, taking account of all earlier developments and based on further inter-ministerial discussions and its assessment of the situation submitted a note dated 20 November 1991 to the Cabinet Committee on Economic Affairs (CCEA) suggesting an approach to disinvestment. It was proposed, inter alia, that PSUs would be selected by the DPE and placed in three categories viz. (i) very good, (ii) good and (iii) average and that bundles (baskets) consisting of different combinations of 6 to 9 PSUs would be made, including some from each of the very good, good and average categories. The criterion to be used for classifying a PSU as very good, good or average was the PSU's NAV per share of Rs. 10/- price value—very good (NAV of Rs. 50+), good (NAV Rs. 20—49) and average (NAV Rs. 10—19). The particular combination in each bundle would also be decided by DPE.

8. The reason for selling shares in bundles rather than singly was because it was apprehended that if equity of individual PSUs was divested separately, then only the very good may be picked up with significantly low prices and possibly no takers for the good and average PSUs. Since wider participation in PSU equity was an important objective of the policy it was felt that it was important to ensure that a wide range of PSUs shares were effectively disinvested. It was therefore consciously decided to sell the equity in bundles. In this way it would be possible to ensure that shares of PSUs categorised as good and average were also sold along with share of those categorised as very good. The note sought CCEA's approval for the following :—

(i) To approve the proposal that the shares of the PSUs are valued according to the NAV, PECV and DCF methods and that the average of the two highest values so obtained be taken as the fair value or reserve price for that PSU's share;

(ii) To authorise DPE to finalise the list of PSUs for the scheme of disinvestment of Govt. shares in consultation with the administrative Ministries and the Ministry of Finance, value them and prepare appropriate bundles;

(iii) To allow disinvestment of shares upto 20% of the share capital held by the Government in PSUs generally and upto 49% in some enterprises on a selective basis;

(iv) To allow the disinvestment of Govt.'s equity directly on the stock exchanges or to mutual fund and investment institutions at the market price in the case of PSUs already listed on the exchanges;

(v) Establishment of a specialised mutual fund for investing in the shares of selected PSUs in case the existing investment institutions and mutual funds are not able to invest in such shares to the required extent.

9. The CCEA considered the note at its meeting held on 24 November 1991. CCEA decided that the proposals mentioned above should be modified in the light of the discussion as under:

(a) A scheme should also be drawn up for disinvestment in select sick units, together with a package of measures to make them viable to be announced along with the proposals under consideration.

(b) From the list of PSUs selected for disinvestment during 1991-92, Uranium Corporation of India should be excluded. Separate proposals may be brought up in respect of the two Air Corporations and ITDC.

(c) Disinvestment in respect of SAIL may be limited to 5% of SAIL's total equity.

(d) The intention that the basket of shares taken by the mutual funds will be unbundled by them for sale individually in the stock exchange, may be clarified and made part of the proposals for decision.

The CCEA also decided that a revised note may be brought up for a final decision before an announcement is made in this regard and that such announcement may be made only after the discussions on the subject in Parliament in the first week of December 1991. It is important to note that the CCEA did not specifically approve the method of fixing the reserve price suggested in the note.

10. As the debate in Parliament on the public sector got postponed beyond the first week of December and in view of the tight time schedule involved, the Department of Public Enterprises moved a proposal that advance preparatory action should be taken by initiating the process of bidding by the mutual funds and financial institutions, leaving the final decision on actual sale to be taken only on the basis of CCEA approval. This proposal was approved on file by the Finance Minister and the Prime Minister. Accordingly DPE chose and categorised 31 PSUs into good, very good and average PSUs and prepared 825 bundles with various combinations of PSUs. DPE also valued the shares of these enterprises, in consultation with the concerned PSUs and the administrative Ministries, and arrived at reference prices using the average of the highest two of the three methods of pricing mentioned above viz., the NAV, the PECV and the DCF methods. Thereafter the public sector mutual funds, nationalised banks and financial institutions were invited to bid for all the different bundles without the government disclosing the reference prices to the bidders.

11. At the time of initiating the bidding process, it was recognised that the reference prices fixed on the basis of the average of the highest two of the three methods identified by the DPE may prove too high. The possibility that bids received may be lower than the reference price and the need for possible flexibility in reserve price fixation was recognised and in this context the DPE had enquired (vide letter of Secretary DPE dated 27 November 1991) from the Department of Economic Affairs how decisions would be taken in such a situation. Department of Economic Affairs vide letter of Secretary DEA confirmed to DPE that in case any flexibility is needed it would have to be approved by CCEA.

12. Bids were received for only 533 bundles and it was observed that the reference prices as calculated above were higher than the bids for all the bundles. An analysis by DPE indicated that the reference prices were high because they were based on the average of PECV and the DCF value, with the letter being the highest in most case. The DCF value computed by PSUs based on their own projections of growth, expected returns, and cash flow were at a much higher level than what was perceived to be feasible as revealed by the bids received. The PECV was also on the higher side since DPE had computed this value on the basis of average industry sector PE ratio, the sector also including private sector firms with high priced equity. For all these reasons, it was felt that the reference price computed in this manner may not be a realistic basis for valuation for purposes of disinvestment in the market.

13. The Department of Economic Affairs submitted a revised note to the CCEA taking account of developments since the submission of the earlier note, and seeking approval for effecting the sale of PSU shares. In this note CCEA was informed that if the reference price was calculated on the basis of the average of the highest two of the three pricing methods, none of the bids could be accepted. The note for CCEA indicated that it would not be appropriate to use this reference price for all the reasons brought out in the analysis by the DPE and as summarised in para 12 above. It was

pointed out in the note that the following factors were relevant in determining what should be an appropriate price :

(i) There are significant uncertainties about the future performance of these PSUs and there is also a degree of illiquidity of the disinvested shares.

(ii) Shares of relatively lesser known PSUs were being sold along with those of the better units as part of the bundling procedure.

(iii) Since it was the first such sale and since subsequent tranches were expected, it was necessary to build confidence among investors by adopting a certain degree of conservatism in valuation.

14. The note also indicated that resources from PSU equity sales were part of the anticipated budget receipts and it was important for these resources to be mobilised as scheduled, i.e., by the end of December 1991, to avoid inflationary financing of the fiscal deficit which would otherwise take place. Early control of inflation which was a major problem in 1991 was an important Government priority.

15. The note indicated that if all the bundles for which bids were received, including those bundles for which a single bid had been made, were sold, they would fetch Rs. 1772 crores if the highest bid that had been offered for each bundle was taken. For these same bundles, if the valuation was done according to the Controller of Capital Issues (CCI) guidelines (the average of NAV and PECV), the value of the bundles would be roughly Rs. 1648 crores. Thus, the mutual funds, banks and financial institutions had valued the total share offering at a level involving a premium of 7.5% over the value resulting from the CCI's guidelines which were the only officially sanctioned guidelines in place for valuation of shares. It was mentioned in the note that there was no uniquely appropriate way of valuing PSU shares and that the best course would be to leave it to professional judgment and market sentiment as reflected in the bids received. Viewed in this manner, the bids received which were obtained by an open auction, could be taken as appropriate indicators of the market value of the PSUs and considered for acceptance.

16. Accordingly, approval of the CCEA was sought *in a fresh note following dated 22* December 1991 :—

(a) The highest of the bids received from the mutual funds/investment institutions may be accepted for 335 bundles amounting to Rs. 1193 crores, where the bids were above the price calculated according to CCI guidelines. Accordingly, these bundles of shares of selected PSUs may be sold by DPE in a manner specified in the note.

(b) The remaining bundles of shares of PSUs may be sold in the second tranche as per proposals to be submitted separately.

(c) The open offer of the UTI to buy 100 bundles at a price of Rs. 2.5 crores each may be rejected.

(d) BEL, BEML, VSNL, MTNL, SCI and DCI may also be retained in the respective bundles for sale to mutual funds and investment institutions.

CCEA considered this note on 24 December 1991 and approved the above proposals. DPE evaluated the bids as per the CCEA approval and decided to accept bids for 331 bundles for a total value of Rs. 1181.95 crores. In addition, as per the CCEA decision dated 24 December 1991, counter offers were made to the various successful bidding parties to accept sale of additional similar bundles at the highest accepted bid price for that set of similar bundles. As a result of this exercise, another 75 bundles have been sold at a total value of Rs. 245.45 crores. Therefore, the total number of bundles sold during the first phase of disinvestment in 1991-92 amounted to 406 for a total amount of Rs. 1427 crores.

17. The Department of Economic Affairs subsequently submitted a note dated 22 January 1992 to CCEA seeking approval for the following :—

(a) The bundles of shares of PSUs remaining unsold in the first tranche of disinvestment may be unbundled and fresh bundles of shares of 31 PSUs may be made;

(b) The fresh bundles of shares may be sold through the process of bidding to the mutual funds, investment institutions, banks and financial institutions in the public sector;

(c) DPE will sell the bundles of shares for which the bids are equal to or above the price calculated according to the CCI guidelines;

(d) DPE may sell shares in some selected

PSEs beyond the 20% limit, but in no case would this involve loss of Government control.

CCEA considered this note at its meeting held on 7 February 1992 and approved the above proposals.

18. In the second tranche of disinvestment in 1991-92, shares of 16 PSUs were offered in 120 bundles. Bids were received for all the 120 bundles for a total value of Rs. 1611 crores and were accepted.

II. MAIN CRITICISMS OF PSU DISINVESTMENT:

19. The following are the main items on which the PSU disinvestment has been criticised.

(i) *Bundling has lowered the returns to Government:*

20. There has been criticism that the method adopted by Government for sale of shares in bundles has depressed value realisation of 'very good' and 'good' PSUs as a result of their being clubbed together with 'average' PSUs. The answer to this criticism is that bundling of shares enabled a broader based disinvestment in which the very good PSUs were disinvested along with less good PSUs. *Mobilising resources was not the only object of disinvestment. Wider participation in PSU equity was also an important objective and it was felt that bundling would help achieve this objective in the initial stages.* Clearly, without bundling the shares, 'very good' PSUs might have fetched higher prices than were imputed to them within the bundles. Equally, the prices realised by 'average' PSU shares would have been lower if these had been sold individually, or it may have been difficult to disinvest these shares thus preventing broad based participation. To infer from this that bundling necessarily lowered the aggregate realisation to government is unjustified. Bundling also achieved the broader disinvestment in PSUs. This also explains why Government included certain 'very good' companies in the disinvestment programme, despite the initial reluctance of some administrative Ministries concerned.

(ii) *The reduction in reserve prices led to loss:*

21. This criticism, which is based on the CAG report, arises in the shift from calculating reference prices on the basis of the average of the highest two of the three methods NAV, PECV and DCF, as indicated in the note considered by CCEA on 24 November, 1991 to the use of CCI based valuations (based on the average of NAV & PECV) as in the note dated 24 December, 1991. The CAG report has estimated that if the shares sold in the two tranches had been sold at the reference prices calculated as per the earlier proposal, the realisation would have been Rs. 3441.71 crores higher than it actually was. This is a totally illusory concept of loss since there is no reason to believe that the reference prices calculated as in the earlier note could in fact have been realised. This was borne out by the bids received. It was recognised that the yield for public sector shares in terms of dividend was likely to be low and further that the shares may not be liquid for sometime until broad based markets for these shares had developed, assisted by adequate trading through the stock exchanges. Given the prospect of low yield and an element of illiquidity, it was recognised that unrealistically high pricing of equity shares would significantly erode investor interest. Mutual Funds, which were among the prospective bidders for the equity, had to safeguard the interests of their investors and were naturally concerned that pricing on the basis of unrealistic and optimistic prospects about future cash flows would not be appropriate. Moreover, since this was to be the first sale of public sector equity to be followed by subsequent tranches of disinvestment, it was imperative that investor interest was both nurtured and sustained. The reasons why prices based on the highest two values were regarded as unrealistic were brought out in the analysis of DPE and were clearly brought out in the note for CCEA when final approval was sought for the sale as indicated in para 13 above.

22. It may be noted that although for some scrips prices quoted in stock exchanges immediately after disinvestment and listing were higher than the average price realisation, these prices were based on very thin trading and were therefore not a good guide to what could have been realised if the whole amount of disinvested shares were available for sale. The Annexure to this Note indicates a comparison of the orders for Sale of PSU shares which one of the bidders, UTI, attempted to execute, and the quantities actually executed. UTI's failure to execute sales of all but two PSUs till as recently as June, 1993 indicates that the trading in these shares was extremely 'thin'. Further, the speculative buoyancy of the stock market in the

first few months of 1992, the reasons for which are now more clearly understood, was reflected in high prices for all scrips. These prices could not have been anticipated at the stage of PSU disinvestment and in any case were not realistic.

23. It is also not correct to suppose that a public offering at a fixed price, instead of the bidding procedure actually followed, would have fetched a higher total realisation. What the public response would have been if a large amount of PSU shares had been offered in one go is difficult to assess. A public offering at a fixed price may have realised slightly higher prices for 'very good' scrips, but would have lowered substantially the prices realised by 'average' scrips. It is pertainent to note that the Rangarajan Committee on public sector Disinvestment has concluded that public offer of sale may be a better strategy only after an adequate record of trading in the scrip has been established but until such time the action method is preferable.

(iii) *Government should have negotiated a higher price :*

24. Another criticism is that the Government should have attempted negotiations with the bidders who were public sector financial institutions/mutual funds by explaining/justifying the bais on which the original reserve prices has been fixed. This criticism is not valid. For one thing, efforts to negotiate with FIs and mutual funds would have appeared to amount to pressurisation of these institutions to deviate from their commercial judgement. Mutual funds, invest funds that actually belong to individual investors and any attempt on the part of the Government to 'convince' them to pay a higher price for the PSE shares would have been regarded as an exercise of undue influence and consequently unethical.

(iv) *Disinvestment was rushed only because of commitments to the IMF to reduce the fiscal deficit :*

25. The decision to disinvest was not rushed the decision to disinvest was announced by the previous government in February, 1991 and the matter has been under active discussion since then. There was extensive discussion with all concerned and *Mutual Funds had ample time to study the situation.* Indeed, Government had ask the financial institutions, banks and mutual funds to make their own valuation of shares of PSUs and many of these institutions had initiated their own assessment procedures to arrive at valuation much *before* the formal issue of the bid notice. The PSUs concerned had also been advised by the Government to provide annual reports, balance sheet information and other data sought by the interested prospective bidders.

26. There is no doubt that there was an urgency to complete the disinvestment by end December, 1991 because of the need to contain the fiscal deficit, but this was a *legitimate* concern of Government policy. It was necessary to stabilise the economy and reduce inflation and inflationary expectations by visibly reducing the fiscal deficit as early as possible. Government had set targets for deficit reduction and to fail to meet the end December targets would have sent the wrong signals both domestically and internationally. There were thus enormous advantages in being able to do so.

(v) *Tenders received in the first phase of disinvestment were non-competitive :*

27. This criticism, based on the CAG report, derives from the fact that out of 406 bundles sold in the first phase, 289 bundles attracted only single bidders. However, Government's decision to accept a bid depended not on the number of bids received for each bundle but on the prices bid for the bundles, in relation to the reference price computed on the basis of CCI guidelines. All bids below the reference price were rejected.

(vi) *The exclusion of a 'claw back' provision :*

28. The claw back provision implies the opportunity for Government sharing in any profits which successful bidders may receive consequent to their onwards sale of shares. The CAG Report has suggested that such a provision could have been incorporated in the terms of sale. However, any such provision cannot be imposed without eroding the confidence of bidders and reducing the value of bids. The sharing of profits with the successful bidders who subsequently disinvest would also have required Government to agree to the sharing of losses. Such 'claw back' provisions in auctions are not common. The CAG Reports, recommendation is unorthodox to say the least.

(vii) *The irregular sale of shares after disinvestment :*

29. This criticism, also based on the CAG Report, refers to the sale *outside of Stock Exchanges* of PSU shares acquired by certain banks and financial institutions. It is known that such sales of small amounts of shares were

made by SBI Caps and the Allahabad Bank. It has been alleged that such transactions were contrary to the decisions taken at the outset by Government as well as the terms and conditions prescribed for the sale of these shares. This aspect has also been queried by the JPC.

30. It may be noted that onward sale was clearly intended by the policy. The CCEA was specifically informed that the shares being sold would be further traded. The terms and conditions of the sale as announced by the Department of Public Enterprises did indicate that the shares would be listed and that FIs/Mutual Funds purchasing the shares would be free to sell them on the stock exchanges. The DPE have indicated that the sale of shares outside the Stock Exchanges is not illegal per se. It may be noted that under the Securities Contract (Regulation) Act, spot delivery transactions are legally permissible outside the Stock Exchanges (and are regularly resorted to by financial institutions like UTI). There is no Government decision which sought to circumscribe this freedom available under law to the successful bidders of PSU equity.

31. Institutions purchasing shares were free to trade the shares as legally permissible and subject to their own procedures for onward sale. Question has been raised about the legality of shares sold onward by SBI caps and Allahabad Bank. These are being examined by the Government.

In conclusion, it needs to be recognised that even under well settled market conditions, opinions can and do very about the correct price of a shares Perceptions regarding future earning and profit prospects can differ significantly. This is more likely in the case of public sector enterprises whose shares have not been traded on the stock market in the past, where the disinvestment proposed is only of a part of the equity which is not going to lead to loss of Government control over management and where enterprises face different market structures. In proceeding with disinvestment in 1991-92, the Government was deeply conscious of the fact that we were sailing in uncharted waters. Of necessity, we had to learn by doing, and modify our policies and procedures in the light of evolving experience and appreciation of market realities. By limiting participation in bidding for public sector shares to public sector financial institutions in the initial stages, Government's intention was to ensure that if by chance the sale took place at an underpriced level, the benefit would accrue to public sector institutions rather than private entities. This by itself is indicative of Government's bonafides and honest intentions.

ANNEXURE

Sale Unit Trust of India Total orders placed/executed for PSU shares from January 1992 to June 1993

Company Name	Order date	Quantity Order	Quantity Executed	Total Cost
IPCL	10-2-1993	5000	—	—
Sub-Total		5000	—	—
IIOCL	10-2-1993	5000	—	—
Sub-Total		5000	—	—
SAIL	10-2-1993	15000	6200	221774
SAIL	12-2-1993	20000	—	—
SAIL	16-2-1993	10000	—	—
SAIL	16-9-1992	5000	—	—
SAIL	18-9-1992	5000	—	—
SAIL	19-10-1992	4000	4000	177800
SAIL	20-10-1992	2000	2000	94060
SAIL	21-10-1992	2000	1200	52800
Sub-Total		63000	13400	546434

HPCL	25-6-1993	10000	5000	2375000
HPCL	28-6-1993	10000	—	—
Sub-Total		20000	5000	2375000
MTNL	19-3-1993	2000	—	—
Sub-Total		2000	—	—
BPCL	10-2-1993	2000	—	—
HPCL	30-9-1992	2000	—	—
Sub-Total		4000	—	—
TOTAL :		99000	18400	2921434

SHRI KAMAL MORARKA (Rajasthan): Madam, I am on a point of order. The Finance Minister has just read the statement wherein he has very correctly said that much of the criticism in the press was because of the C.A.G. report. Then, in the next paragraph, he says that no impropriety has been committed. Does it mean that the Government disagrees with the C.A.G. report? This is a very important constitutional point. The C.A.G. report is the property of the House. It is binding on the Government. Does the Government reject or controvert the C.A.G. report? This is a very important, fundamental, issue. (*Interruptions*)

AN HON. MEMBER: We can take it up on Monday. (*Interruptions*)

SHRI KAMAL MORARKA: It is a point of order, Mr. Singla. You do not understand one word of what I am saying. You need not get up.

SHRI SURINDER KUMAR SINGLA (Punjab): You do not understand.

SHRI KAMAL MORARKA: Can you spell 'C.A.G.' correctly? Then, I will keep quiet (*Interruptions*)

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS WITH ADDITIONAL CHARGE OF THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRIMATI MARGARET ALVA): Madam, I take very strong objection to what he is saying. He is casting aspersion on the hon. Member. (*Interruptions*)

SHRI JAGESH DESAI (Maharashtra): He should withdraw it. (*Interruptions*)

SHRIMATI MARGARET ALVA: How can he say that? (*Interruptions*)

THE DEPUTY CHAIRMAN: What is wrong with you, Mr. Swell? This is the behaviour you are all very fond of. Just ask your Member how he is behaving. (*Interruptions*) Mr. Manmohan Singh, do you want to say anything on this?

SHRI KAMAL MORARKA: My point of order is very valid, Madam. I want your ruling on my point of order. (*Interruptions*)

विपक्ष के नेता (श्री सिकंदर बख्त): आपने बड़ा पर्टिनेंट सवाल पूछा है (व्यवधान) आनरेबल फाइनेंस मिनिस्टर साहब का जवाब आना चाहिये (व्यवधान)

SHRI KAMAL MORARKA: It is not some joke. It is a relevant point of order. (*Interruptions*) Let the Finance Minister reply. Please keep quiet. We do not need people like you. (*Interruptions*)

SHRI GURUDAS DAS GUPTA (West Bengal): Madam, may I make a submission?

THE DEPUTY CHAIRMAN: I am not allowing you, Mr. Gurudas Das Gupta. I have called Mr. Manmohan Singh.

SHRI GURUDAS DAS GUPTA: He has yielded, Madam. (*Interruptions*)

SHRI JAGESH DESAI: Madam, this kind of arrogance on the part of Mr. Morarka cannot be tolerated.

SHRI KAMAL MORARKA: Mr. Jagesh Desai, I raised a point of order. It is the property of the Chair. Why should Mr. Singla get up? (*Interruptions*) I was speaking with the permission of the Chair. I want to know why Mr.

Singla was getting up in the middle.

SHRI SURINDER KUMAR SINGLA: You ask the Chair. Don't ask me. *(Interruptions)*

SHRI KAMAL MORARKA: She has not allowed you. I cannot be browbeaten like this. *(Interruptions)* I raised a constitutional issue. *(Interruptions)*

SHRI GURUDAS DAS GUPTA: Madam, please permit me.

THE DEPUTY CHAIRMAN: I am not going to allow you, Mr. Gupta.

SHRI GURUDAS DAS GUPTA: He has yielded.

THE DEPUTY CHAIRMAN: He is not in the Chair. Mr. Manmohan Singh is not presiding over the House. You cannot take his permission to speak in this House. I have not permitted you. *(Interruptions)* Now, Mr. Morarka has raised a point of order. Mr. Singla, do you want to raise a point of order? Let this point of order be disposed of. Then, you can raise your point of order. We have some time left. We can have some introspective thinking as to how we should work in this House. Mr. Chaturanan Mishra has also brought to our knowledge that we are not behaving and doing our duties properly. It is a good thing. *(Interruptions)*

SHRI MURLIDHAR CHANDRAKANT BHANDARE (Maharashtra): Madam, I am on a point of order.

THE DEPUTY CHAIRMAN: Let one thing be over. *(Interruptions)* I am not allowing you. Please. *(Interruptions)* Let me finish this point of order first. Then, I will allow you. You should know the rules. Please. You are a lawyer. Let Mr. Manmohan Singh answer the point raised by Mr. Morarka. Then, I will allow you. *(Interruptions)*

SHRI H. HANUMANTHAPPA (Karnataka): I am on that point only.

THE DEPUTY CHAIRMAN: Mr. Morarka should not make such comments. Don't make such comments, Mr. Morarka. It is all right if you make comments on the Chair because the Chair will bear it, but you do not expect every Member to bear such comments.

SHRI KAMAL MORARKA: I will not make any comment on the Chair, but I will make comment on every Member who tries to treat lightly an important matter where Rs. 5,000 crores of Government money is involved. I cannot tolerate this nonsense. I have raised a point of order. It is a very valid point of order. Mr. Manmohan Singh is competent to reply to it. People who are ignorant of everything cannot say anything on it. *(Interruptions)*

THE DEPUTY CHAIRMAN: Mr. Morarka, you should not make such sweeping comments. It is not proper. Whether a Member knows anything or does not know anything, it is his inherent right to speak in this House. *(Interruptions)*

SHRI H. HANUMANTHAPPA: Madam, the point of order is between Mr. Morarka and the Chair. How can Mr. Manmohan Singh reply to it? It is a question of procedure. *(Interruptions)* The point of order has been raised by Mr. Morarka. It has to be decided by the Chair.

THE DEPUTY CHAIRMAN: It is for the Chair to decide.

SHRI H. HANUMANTHAPPA: How can Mr. Manmohan Singh reply to it? *(Interruptions)*

THE DEPUTY CHAIRMAN: Please sit down.....*(Interruptions)*.....You try to be very intelligent about rules. I do not know what Mr. Manmohan Singh is going to say in his statement. How can I give a ruling on that? I am not competent to give a ruling on the scam or whatever people are talking about. It is his duty to answer; it is not my duty. What are you taking about? He is asking a question of the Finance Minister who made a statement. Can I give a ruling whether the CAG is competent or not? Can you give it? You should know what you are talking in the House.....*(Interruptions)*.....

SHRI MANMOHAN SINGH: Madam, our Government has the highest regard for the office of the Comptroller and Auditor-General of India. But it is a fact that the report that has been submitted has raised certain important issues, and I think it is my bounden duty to respond to those points of view, and my detailed statement deals with those important points which have been highlighted in the report of the Comptroller and Auditor-General of India.

THE DEPUTY CHAIRMAN: Are you also satisfied? Could I read his 20-pages statement and give my ruling on it? It is for him to answer; it is not for me to answer. Now we have got about 10 minutes. What shall we do?... *(Interruptions)*.....

SHRI SURINDER KUMAR SINGLA: My point of order.....*(Interruptions)*.....

THE DEPUTY CHAIRMAN: What is your point of order? Yes, Mr. Singla.

SHRI SURINDER KUMAR SINGLA: Madam, Mr. Kamal Morarka is very much worried about the Rs. 5,000 crores. So am I. I want to remind of the shameful days of the Chandra Shekhar Government when the Finance Ministry was actually on sale. Mr. Yashwant Sinha, who was then the Finance Minister, appointed a Pherwani who looted the country and the NHB.....*(Interruptions)*...

SHRI GURUDAS DAS GUPTA: I am on a point of order...*(Interruptions)*...

SHRI KAMAL MORARKA: The matter is before the JPC...

...*(Interruptions)*...

श्री सिकन्दर बख्त : सदर साहिबा, यह साहब सैरियत में तो हैं। ....(व्यवधान)

†شری سکندر بخت : صدر صاحبہ، یہ صاحب خیریت میں تو ہیں... "مداخلت"...

SHRI KAMAL MORARKA: I am ready to discuss the issue.

...*(Interruptions)*...

SHRI GURUDAS DAS GUPTA: What is this? Allow me to speak.

...*(Interruptions)*...

SHRI KAMAL MORARKA: You have a Prime Minister.....*(Interruptions)*... the whole Government is corrupt. He is corrupt. And you have a right to talk!

SHRI GURUDAS DAS GUPTA: I am on a point of order.

...*(Interruptions)*...

SHRI KAMAL MORARKA: And you are talking of the Chandra Shekhar Government! ...*(Interruptions)*...

SHRI SURINDER KUMAR SINGLA: You talk all the time and you don't allow us.

SHRI KAMAL MORARKA: You can't take the CAG's name but you take the name of Mr. Yashwant Sinha and Mr. Malaviya.

...*(Interruptions)*...

SHRI GURUDAS DAS GUPTA: I am on a point of order.

SHRI KAMAL MORARKA: We can't be browbeaten.

SHRI GURUDAS DAS GUPTA: Madam, I would like to get your ruling whether a Member can rise to speak about a person who is not present in this House. Mr. Chandra Shekhar is not here. Therefore.....*(Interruptions)*...

SHRI KAMAL MORARKA: Madam, we are ready for a debate.

...*(Interruptions)*...

SHRI DIGVIJAY SINGH (Bihar): You have a right to ask questions, but you should first behave yourself. ...*(Interruptions)*... Even their brokers are here in this House. ...*(Interruptions)*...

SHRI KAMAL MORARKA: Even a paanwallah in Delhi is saying that the "V" sign no more means "Victory" but that "We have got two suitcases and therefore we have voted for you". That is the new meaning of this sign. Even the Paanwallah in Chandni Chowk is saying that. You have elections, have the guts to go to the polls. You will be thrown into the dustbin of history. And you have the temerity to say this.

...*(Interruptions)*...

THE DEPUTY CHAIRMAN: Before we adjourn for lunch, I want to find out... ...*(Interruptions)*...

Please. There is still time. One minute. I want to find out whether we are sitting after five o'clock or not.

AN HON. MEMBER: Yes.

SOME HON. MEMBERS: No, not today.

THE DEPUTY CHAIRMAN: Then I ask Mr. Hansraj to make the statement which he made in the other House.

SHRI PRAMOD MAHAJAN (Maharashtra): Madam, is there a holiday on the 9th August?

THE DEPUTY CHAIRMAN: I have no knowledge of it.

Mr. Bhardwaj, make the statement.

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†[ ] Transliteration in Arabic Script.